

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail Contract 85 (MC2014-34)
Negotiated Service Agreement

Docket No. CP2014-60

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE OF AMENDMENT TO
PRIORITY MAIL CONTRACT 85

(February 16, 2016)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to Order No. 3065.¹ In that Order, the Commission reopens the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice to amend Priority Mail Contract 85.²

II. BACKGROUND

The Commission approved the original Priority Mail Contract 85 in Order No. 2141, dated August 4, 2014.³ On October 31, 2014, the Commission approved an

¹ Notice and Order Concerning Amendment to Priority Mail Contract 85 Negotiated Service Agreement, February 8, 2016 (Order No. 3065).

² Notice of United States Postal Service of Amendment to Priority Mail Contract 85, with Portions Filed under Seal, February 5, 2016 (Notice).

³ Order Adding Priority Mail Contract 85 to the Competitive Product List, August 4, 2014 (Order No. 2141). See also Request of the United States Postal Service to Add Priority Mail Contract 85 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, July 23, 2014 (Request).

amendment to the contract.⁴ On February 8, 2016, the Postal Service filed notice that it has agreed to a second amendment to the Priority Mail Contract 85 subject to the current docket (Amendment). The Postal Service asserts, the terms of Priority Mail Contract 85 “have changed as contemplated by the contract’s terms”. Notice at 1. The Postal Service files a copy of the amendment to the existing Priority Mail Contract 85 and supporting financial documentation. *Id.*

The Amendment modifies the pricing structure of the discounts offered to the contract partner.⁵ The Amendment is scheduled to take effect two business days following the Commission’s Final Order. Notice at 1.

III. COMMENTS

Pursuant to section 3633(a), prices for competitive products must cover each product’s attributable costs, not result in subsidization of competitive products by market dominant products, and ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

The Postal Service has updated the financial model for Priority Mail Contract 85 to reflect the modified pricing structure in the amended contract. Based on the review of the provided information, the Public Representative concludes that the amended contract should generate sufficient revenue to cover costs and satisfy the requirements of 39 U.S.C. § 3633(a) during its first year. The terms of the amended contract include a quarterly adjustment of prices based on Customer’s volumes. It appears that the inclusion of these terms should help maintain the contract’s ability to meet the requirements of 39 U.S.C. § 3633(a) over the lifetime of the contract.

The FY 2015 Annual Compliance Report (ACR) contains data related to the financial performance of the contract. After review of these materials the Public Representative observes that Priority Mail Contract 85 complied with the requirements of 39 U.S.C. § 3633(a) in FY2015. In addition, the Public Representative analyzed the

⁴ Order Approving Amendment to Priority Mail Contract 85 Negotiated Service Agreement, October 31, 2014 (Order No. 2234).

⁵ See Notice, Attachment A.

amended financial model using FY 2015 volume distributions reported in the ACR. This analysis also showed that the contract will likely continue to meet the requirements of 39 U.S.C. § 3633(a). The amended contract does not appear to prohibit Priority Mail Contract 85 from complying with 39 U.S.C. § 3633(a) in the future.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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